

Message Text

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62

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC PRIORITY 4599

INFO AMCONSUL HONG KONG

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HONG KONG FOR TREASURY REP SHARPE

E.O. 11652: N/A

TAGS: EFIN MY

SUBJ: BALANCE OF PAYMENTS AND DEBT PROSPECTS

REF: STATE 223505

1. IN RESPONSE TO REFTEL EMBASSY HAS GATHERED FOLLOWING INFO
CONCERNING MALAYSIA'S BALANCE OF PAYMENTS AND DEBT PROSPECTS
FOR 1974-1977.

A. CURRENT ACCOUNT BALANCES

(1) MERCHANDISE EXPORTS

1974 \$4,075.7 MILLION

1975 \$3,560.0 MILLION

1976 \$4,020.0 MILLION

1977 \$5,000.0 MILLION

(2) MERCHANDISE IMPORTS

1974 \$3,937.5 MILLION

1975 \$3,720.0 MILLION

1976 \$4,128.0 MILLION

1977 \$4,720.0 MILLION

(3) SERVICE IMPORTS

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1974 \$974.0 MILLION

1975 \$892.8 MILLION
1976 \$994.0 MILLION
1977 \$1,280.0 MILLION

(4) SERVICE EXPORTS

1974 \$424. MILLION
1975 \$468. MILLION
1976 \$546. MILLION
1977 \$680. MILLION

(5) NET PRIVATE TRANSFERS

1974 NEGATIVE \$56. MILLION
1975 NEGATIVE \$46. MILLION
1976 NEGATIVE \$41.2 MILLION
1977 NEGATIVE \$40. MILLION

ALL OF THE ABOVE DATA WAS COMPILED FROM REPORTS OF THE TREASURY
AND CENTRAL BANK OF MALAYSIA.

B. CAPITAL ACCOUNT BALANCE:

(1) OFFICIAL LONG TERM

1974 \$110. MILLION
1975 \$331.6 MILLION
1976 \$464.0 MILLION
1977 \$464.0 MILLION

(2) OFFICIAL SHORT TERM: NOTE: IS INCLUDED IN CATEGORY
QUOTE ERRORS AND OMISSIONS INCLUDING SHORT TERM CAPITAL
UNQUOTE WHICH IN 1974 WAS \$53 MILLION AND IN 1975
WAS A NEGATIVE \$334 MILLION. THERE IS NO BASIS TO
MAKE A PROJECTION FOR 1976 OR 1977.

(3) NET PRIVATE

1974 \$333.6 MILLION
1975 \$210.0 MILLION
1976 \$250.0 MILLION
1977 \$325.0 MILLION

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NOTE: 1976 AND 1977 FIGURES ARE BASED ON THIRD MALAYSIA
PLAN PROJECTIONS TAKING INTO ACCOUNT 1976 SHORT FALL
RESULTING FROM RECESSION WITH PICKUP IN 1977.

(4) CHANGE IN INTERNATIONAL RESERVES

1974 INCREASE \$153 MILLION
1975 INCREASE \$114 MILLION
1976 INCREASE \$487 MILLION

1977 INCREASE \$522 MILLION

THE ABOVE FIGURES (ACTUALS FOR 1974 AND 1975, ESTIMATES FOR 1976 AND 1977) ARE BASED ON FIGURES PROVIDED BY THE GOM AND PROJECTIONS MADE BY COMMERCIAL BANKS ASSUMING INFLATION RATES OF 5 PERCENT IN 1976 AND 7.5 PERCENT IN 1977.

2. EXTERNAL DEBT. NOTE: THE EMBASSY HAS NOT BEEN ABLE TO OBTAIN DATA DIFFERENTIATING DISBURSED FROM UNDISBURSED EXTERNAL DEBTS.

A. EXTERNAL DEBT

1974 \$608.0 MILLION

1975 \$952.2 MILLION

1976 \$1,380.0 MILLION

1977 \$1,780.0 MILLION

B. DEBT SERVICE RATIO

1974 1.9 PERCENT

1975 3.4 PERCENT

1976 4.0 PERCENT

1977 5.0 PERCENT

3. COMMENT: THE MALAYSIAN ECONOMY IS VERY SENSITIVE TO MOVEMENTS OF BASIC COMMODITY PRICES, PARTICULARLY RUBBER, TIN, PALM OIL AND TIMBER. EXPORT PROJECTIONS ASSUME A SLOW, STEADY GROWTH OF DEVELOPED ECONOMIES AS INDICATED BY OECD STUDY. AN INCREASE IN OIL PRICES WOULD BE OF MARGINAL BENEFIT TO THE MALAYSIAN ECONOMY SINCE IT IS A SMALL NET EXPORTER OF PETROLEUM. A CRITICAL ASSUMPTION RE LONG-TERM PRIVATE CAPITAL INFLOWS IS THAT THE GOM IS SUCCESSFUL IN RE-ESTABLISHING A FAVORABLE INVESTMENT CLIMATE. WHILE MALAYSIA'S LIMITED OFFICIAL USE

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EXTERNAL DEBT WILL INCREASE SIGNIFICANTLY OVER THE NEXT FIVE YEARS, CONSERVATIVE FISCAL AND MONETARY POLICIES PRACTICED BY THE GOM ARE INTENDED TO ENSURE THAT DEBT WILL NOT BE ALLOWED TO INCREASE TO A LEVEL HARMFUL TO THE ECONOMY. UNDERHILL

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